



AMG Weekly Market Update

14th Dec, 2009

USD rebound on news flow

USD climbed against all major currencies in the last week. Gold and crude oil also felt the pressure of rising dollar.

The strength of USD was very much related to favourable news flow. Job data, retail sales for Nov 2009 and consumer confidence for Dec 2009 all beat consensus estimates. Chance for interest rate hike in coming months was revised up as a result. Besides, government spending on bail out action was lower than expected. While USD 700 billion budget was approved for TARP fund, the actual outlay was USD 550 billion. Now, the need for bail out has waned and financial companies are repaying the U.S. government. In many occasions, the government made a profit rather than loss for the bail out. Higher expectation for interest rate hike and lower than expected financial burden for bail-out action are giving the USD a lift recently.

In the long term, strength of the USD is linked to the pace of economic recovery and movements in interest rate. Improvements in economic data is helped by seasonal factor while it will need more time to see if the recovery is sustainable as government starts to reduce policy support. Moreover, unemployment is nonetheless very severe problem for U.S. It is expected that the Fed will remain very cautious on monetary policy. For the next 1-2 quarters, the chance for interest rate hike is still slim.

In sum, economic conditions and interest rate policy do not really support a strong dollar. USD has just turned up a bit on better news flow. The impact of stronger dollar on other assets is expected to be short-lived.

Weekly economic indicator update

Country / Region	Economic Indicator		Time period	Latest	Last
China	Industrial production	Yoy change	Nov 2009	19.2%	16.1%
China	Urban FAI	Yoy change	Jan – Nov 2009	32.1%	33.1%
China	Retail sales	Yoy change	Nov 2009	15.8%	16.2%
China	CPI	Yoy change	Nov 2009	0.6%	-0.5%
China	Exports	Yoy change	Nov 2009	-1.2%	-13.8%
China	Imports	Yoy change	Nov 2009	26.7%	-6.4%
US	Retail sales	Mom change	Nov 2009	1.3%	1.4%
US	Retail sales (excl. auto)	Mom change	Nov 2009	1.2%	0.2%
US	University of Michigan consumer confidence		Dec 2009	73.4	67.4



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US	Exports	Mom change	Oct 2009	2.6%	2.9%
US	Imports	Mom change	Oct 2009	0.4%	5.8%
US	Consumer credit	Mom change	Oct 2009	-USD 35B	-USD 14.8 B
Germany	CPI	Yoy change	Nov 2009	0.4%	0.0%
UK	Industrial production	Yoy change	Oct 2009	-8.4%	-10.3%
Japan	Machinery orders	Yoy change	Oct 2009	-12.2%	-26.6%
Australia	Unemployment rate	%+	Nov 2009	5.7%	5.8%
Taiwan	Exports	Yoy change	Nov 2009	19.4%	-4.7%
Taiwan	Imports	Yoy change	Nov 2009	17.9%	-6.7%

* All figures and information are collected from National Bureau of Statistics of China, www.bloomberg.com, Federal Statistics Office of Germany, Office for National Statistics of UK, Cabinet Office of Japan, Australia Bureau of Statistics, National Statistics, R.O.C. (Taiwan).

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